



## **REGENERATION AND RESOURCES SCRUTINY SUB COMMITTEE**

MINUTES of the meeting of the REGENERATION AND RESOURCES SCRUTINY SUB-COMMITTEE held on 14 OCTOBER 2004 at 7:00PM at the Town Hall, Peckham Road, London SE5 8UB

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**PRESENT:** Councillor Toby Eckersley (Chair, except for agenda item 1)  
Councillor Jane Salmon (Vice Chair)  
Councillors Billy Kayada, Eliza Mann, Michelle Pearce, Charlie Smith.

Housing Scrutiny Sub-Committee Members (present for item 1 only):  
Councillor Stephen Flannery (Chair for agenda item 1)  
Lionel Wright and Al-Issa Munu (Coopted Tenant Representatives);  
John Nosworthy (Leaseholder Representative)

**OFFICERS:** Joe Brady – Head of Performance and Quality, Housing  
Keith Broxup – Strategic Director of Housing  
Stuart Hoggan – Head of Corporate Strategy  
Carina Kane – Scrutiny Project Manager  
Lyn Meadows – Assistant Borough Solicitor  
Dave Ragbir – Finance Officer, Housing  
Shaun Regan – Project Accountant, Housing  
Barrie Tyson – Finance Manager, Housing  
Ian Young – Accountant, Housing

### **APOLOGIES FOR ABSENCE**

Received from Councillors Jonathan Hunt, Billy Kayada and from Dave Clark.

### **CONFIRMATION OF VOTING MEMBERS**

The Members listed as being present were confirmed as the Voting Members.

### **NOTIFICATION OF ANY OTHER ITEMS WHICH THE CHAIR DEEMS AS URGENT**

None.

### **DISCLOSURE OF INTERESTS AND DISPENSATIONS**

None.

### **RECORDING OF MEMBERS' VOTES**

Council Procedure Rule 1.17(5) allows a Member to record her/his vote in respect of any motions and amendments. Such requests are detailed in the following Minutes. Should a Member's vote be recorded in respect to an amendment, a copy of the

amendment may be found in the Minute File and was available for public inspection.

The Sub-Committee considered the items set out on the agenda, a copy of which has been incorporated in the Minute File. Each of the following paragraphs relates to the item bearing the same number on the agenda.

## **MINUTES**

**RESOLVED:** That the Minutes of the Regeneration and Resources Scrutiny Sub-Committee meeting held on 9 September 2004 be agreed as a correct record of proceedings and signed by the Chair.

### **1 HOUSING REVENUE ACCOUNT (HRA) [pages 19-29]**

1.1 Councillor Stephen Flannery introduced this item. He explained that this was a joint scrutiny between the Housing Scrutiny and the Regeneration and Resources Scrutiny sub-committees. It was proposed, seconded and

**RESOLVED:** That Councillor Stephen Flannery, Chair of the Housing Scrutiny Sub-Committee, would chair item 1 (Housing Revenue Account) for the meeting.

1.2 Joe Brady presented the agenda report which set out the process and issues in setting the 2005/06 budget. As outlined in the report, key issues for the 2005/06 budget centred around: an increase in right to buy sales, changes in the way the management and maintenance allowance was calculated, rent restructuring, the government announcement of the housing subsidy determination, cost pressures (such as increases in building trade costs), and council policy initiatives impacting on the HRA (such as the allocations review), and the savings that would be required to balance the budget to zero. Joe said that overall, subsidies were likely to be cut and there would be significant pressures on the HRA in 2005/06.

1.3 Joe Brady also outlined the draft timetable, as noted in the report. Keith Broxup added that there was one further amendment to the table – i.e. that there would be a section on the HRA in the 'Resourcing and Policy Strategy' paper going to the November 2004 Executive.

1.4 John Nosworthy said that for two years he had been requested the draft budget be sent to leaseholders for a comment, but it had never happened. The Chair noted that according to the timetable, Leaseholder Council would discuss it at their February 2005 meeting. Officers explained that comments from Leaseholder Council would be included in the report to Executive in early 2005.

1.5 There was discussion about the role of tenants and leaseholders in relation to the budget and rent setting. Cllr Michelle Pearce made the point that the process actually focused on how to spend the money, as government determined the rent levels. She suggested that the Tenants Council and Leaseholder Council have a joint meeting to look at the budget.

- 1.6 Keith Broxup replied that there could be a joint meeting if the Councils agreed – both Councils were meeting shortly and this suggestion could be relayed back via the co-opted members. Keith said a possible complication was that leaseholders would not be able to vote on rent-setting at the meeting. Mr Munu agreed that this was a problem. The Chair responded that there were options for getting around voting practicalities, such as colour-coded voting which distinguished between leaseholders and tenants.
- 1.7 There was also discussion about the timing of a joint meeting, and when figures would be available for consideration. Based on the information that the key figures would be available in January 2005, the Chair concluded that a joint meeting between the Tenant and Leaseholder Councils could occur in late January 2005.
- 1.8 The second agenda report, titled ‘HRA Reserves and Balances’, was then discussed. In response to a question from Cllr Eliza Mann, officers said that the government’s housing subsidy grant went into the HRA. The council did not receive money directly from the government for Decent Homes – this fund was set up by the council to channel funds for this purpose.
- 1.9 Cllr Pearce asked about the substantial sum in reserve from right to buy. Ian Young said that no stock-loss was triggered, which is why some of the money was returned to the HRA. This had been prudently allowed for. Joe Brady explained to the sub-committee how the government had previously recalculated its subsidy if there was a certain amount of stock lost in a year, but the policy had now changed.
- 1.10 Cllr Pearce referred to paragraph 8 of the report where it discussed how building costs were running at 6%, which was higher than inflation. She said a problem was that all councils were trying to achieve the decent homes standard which led to an increase in building costs due to the limited contractors available. She queried whether the council had considered sourcing overseas contractors. Officers said this had not yet been considered. Lyn Meadows gave advice that a recommendation suggested that the council looked for new supply sources would be fine from a legal viewpoint.
- 1.11 The sub-committee discussed the implementation of the Customer Service Centre (CSC). Officers explained that money was set aside for this. A report to Executive in April 2004 raised issues which were outlined to the sub-committee. The issues included the allocation review and the need to rehouse more tenants; overcrowding; priorities for homeless people. Officers said that overcrowding was a real problem and money was needed to sort this out.
- 1.12 This led to a discussion about affordable housing, with the Chair suggesting that affordable housing should be targeted to ensure that accommodation with more bedrooms was available. He said that section 106 money should be received from developers to be used for larger accommodation, and suggested that the Director of Housing should look into this and report back to the sub-committee.
- 1.13 Mr Munu raised concerns relating to staffing levels. He contended that it should not be difficult to make reductions in running costs, suggesting that if the level of housing stock managed by the council was decreasing, then it was illogical to have the same number of staff. Joe Brady explained that it was not this simple, as each staff member could have a number of different responsibilities. In response to Mr Munu’s comment about how an increase in staff numbers could be justified, the Chair said that the council was now offering more, improved services.

- 1.14 Cllr Pearce asked why provisions were not set aside for sheltered housing in the previous budget. Officers replied that the Supporting People review of Sheltered Housing was not completed until March 2004. There were sufficient contingencies in the HRA, and these had been set aside for 2004/05.
- 1.15 Questions were also asked about the investment programme. Officers said that the current contribution was about £10 million in 2004/05. The base contribution had been increased by £4million as outlined in a report to the February Executive meeting.
- 1.16 Cllr Eckersley asked whether there were any proposals to use resources for prudential borrowing in 2005/06. Officers said that this was still being considered. Council Assembly would decide on prudential borrowing.
- 1.17 Mr Munu said he suspected that tenants never knew of the contribution of the HRA to the investment programme, and tenants had a right to know this. Officers agreed to send Mr Munu a copy of the publicly available Statement of Accounts, and the Chair outlined the access to information rules in Southwark's Constitution. The Statement of Accounts covered the Council's debt liability, including that attributable to housing. In response to a further question, Ian Young said that all housing debt charges were covered by government subsidy.
- 1.18 Cllr Mann said that the officer reports seemed to contradict the understanding that the CSC would save money. Joe Brady explained that, in relation to the repairs call centre side of things, increased accessibility would increase pressure on the volume of repairs. Cllr Eckersley commented that the HRA would be affected by the CSC proposals.
- 1.19 Mr Lionel Wright asked about the cost-benefit figures for the CSC, and the figures to date. The Chair explained that the council was still in the procurement process so the figures could not be made available, but this could be kept in mind for future consideration. Cllr Eckersley said he would support this, and noted that the figures needed to be available by January for inclusion in the 2005/06 budget considerations.
- 1.20 Mr Munu referred to the House of Lords decision in 1995, questioning what had happened to the money set aside for this. Ian Young said that provision for possible liability to banks had been released in tranches, with the remainder due for release in 2004/05. The £17million liability to the ODPM was retained in a separate provision in case the ODPM asked for it back. Interest on it was paid to the HRA. Lyn Meadows explained the differences between how the ODPM and banks might have claimed liability.
- 1.21 Cllr Eckersley asked what was behind the constraint for the council to take on a substantial increase in major capital works. Keith Broxup replied that the problem was in recruiting good contract managers. There was some discussion of how partnering contracts worked. [Cllr Smith joined the meeting at this point.]
- 1.22 John Nosworthy read out a question, on behalf of Dave Clark, which related to the statement in the officer report suggesting that the expected loss from right to buy sales could be offset in part from increased leaseholder service income.

- 1.23 In response, officers explained that when a property is sold, leasehold service charge income increased because (a) the leaseholder contributed to the day to day upkeep of the estate and block of flats; and (b) the leaseholder paid a contribution to major repairs to the building and communal area as and when they arose. While increasing number of leaseholders would increase the income, this was offset by reductions in the Housing Subsidy via the Major Repairs Allowance which was based on stock levels. Officers also said that right to buy sales did not necessarily mean that expenditure on communal repairs and maintenance would reduce, although expenditure on internal repairs and maintenance would. The net loss from right to buy sales was £2000 per annum per property.
- 1.24 John Nosworthy expressed concern that there was little reference to leaseholders in the agenda reports. The Chair explained this was because the purpose of the report was to focus on the budget structure. He offered to include leaseholder issues on the housing scrutiny agenda – scrutiny to be scoped in December; and consideration in early January 2005. John agreed to this.
- 1.25 The Chair thanked everyone for attending, and formally closed the item. Housing Scrutiny Sub-Committee members then left the meeting [8:45pm].

**RESOLVED:**

That the sub-committee:

1. recommends that Leaseholder Council and Tenants Council consider holding a joint meeting to discuss the Council's draft 2005/06 budget and rent-setting report;
2. recommends that Housing and Procurement officers consider options for seeking new sources of supply for building and repair work in Southwark, including consideration of overseas suppliers;
3. recommends that the impact of the Customer Service Centre on the Housing Revenue Account be looked at when discussing budget-setting for 2005/06.

**2 QUARTERLY PERFORMANCE REPORT [pages 1-11]**

- 2.1 Cllr Eckersley chaired the meeting from this point onwards. The sub-committee decided that it would look at the corporate debt monitor part of the quarterly performance report first.
- 2.2 Joe Brady explained the end year target for reducing debt. This was a simplistic approach which assumed a target of 50% of the 2002 year-end debt by 2006. Some areas, such as parking, had now reached a level whereby the debt could not reasonably be expected to be halved any more and required a bench-marking system instead. The Chair suggested it would be useful to include a column in the corporate debt monitor which showed the debt position as at the previous year-end.
- 2.3 Joe Brady also explained that the projected end of year target was determined individually by the departments, which created inconsistencies between departments. He also made the point that in some places it could look like the debt was not being managed, but it was still early on and lumpiness tended to iron out over the year.

- 2.4 The Chair asked about those departments where the projected year end for the current year was higher than the previous year-end figures. Officers explained that for the Housing Department, this was related to leaseholder debt and the increased number of leaseholders. For Environment and Leisure, it mainly related to parking and tradewaste.
- 2.5 There was discussion of the point at which leaseholder debts for major repairs contributions are booked in the accounts. Joe Brady said he would provide clarification on this point to the sub-committee separately.
- 2.6 Joe Brady also explained how, in essence, the gross arrears outstanding against 'other debt' was overstated. This was related to an IT system issue whereby part payment could not be matched properly against the initial debt, and needed to be manually put against the appropriate departments.
- 2.7 Cllr Pearce was concerned that there was a need to look at leaseholder debt separately, as the issue was getting bigger. Keith Broxup said there was no reason that leaseholder debt could not be shown separately from other housing debt. Joe Brady provided some background as to the process and method for collection of leaseholder debt. The big issue was in managing an increasing financial service.
- 2.8 The Chair said that he would appreciate a fuller explanation of the parking debt situation. Other sub-committee members expressed interest in being briefed on this as well, and Joe Brady was asked to provide a generalised briefing note on the situation during the next month.
- 2.9 Stuart Hoggan then introduced the remainder of the quarterly performance report. The report provided to the sub-committee was the version of the Executive report which demonstrated progress against the corporate plan. The report was in a transition stage, and Stuart invited comments on what the sub-committee would find useful for future reports.
- 2.10 The Chair noted that previous performance reports had included more performance indicators. Stuart replied that the current set were those performance indicators judged to be particularly important, but he understood that it could be useful to provide the broader set of performance indicators, and undertook to provide this for the next report.
- 2.11 Cllr Mann suggested that officers needed to be clearer about defining the performance indicators, as these were not always obvious. She also asked for details about whether there were other performance indicators related to 'tackling poverty' aside from child-minding. Stuart agreed to provide these details to Cllr Mann.
- 2.12 There was discussion about those performance indicators that were listed as either below target, or as slightly below target. Cllr Jane Salmon made the point was that areas slightly below target needed caution and careful following over the year as they had the potential to get worse. A case in point was the sickness figures, as while it was currently on target the figures did not yet include the winter months.

- 2.13 There was a further discussion about the indicator for staff sicknesses. Points raised by members included that figures for long term sicknesses and school sickness should be provided separately (justification for the latter being that this was the responsibility of the Head Teachers and Governors), and it would also be useful to see a breakdown of figures according to types of employees and by day of the week. The sub-committee asked that these figures be supplied as soon as possible, along with a written report that explained the policies in place to monitor and manage sickness. Members would then be in a position to ask the Head of Personnel to attend, if desired, for the 3<sup>rd</sup> Quarter Performance Report discussion.
- 2.14 The Chair asked Stuart Hoggan to relay to the Regeneration Department that the sub-committee were planning to keep a careful watch over the performance of traffic and transport and development control, and that questions on these aspects might be asked at the next meeting.

**RESOLVED:**

That the sub-committee:

1. recommends Executive consider the following suggestions for performance reporting purposes:
  - a) that when the corporate debt monitor is presented in performance reports, it:
    - (i) provides separate figures for leaseholder and tenant debts;
    - (ii) includes a column showing the previous year-end figure for comparison purposes.
  - b) that a careful watch is kept on performance indicators which are slightly below target; for 2004/05 this relates particularly to BV12 (staff sickness) and BV66 (HRA rent collection);
2. That future quarterly performance reports to the Regeneration and Resources Scrutiny Sub-Committee should include the complete set of performance indicators relevant to the sub-committee's remit.

**3 PREPARATION FOR EXECUTIVE INTERVIEW**

- 3.1 The Chair reminded the sub-committee that it would be interviewing the Executive Member for Resources, Councillor Zuleta, during the November 2004 meeting. He had put forward a number of questions that he was looking to refine for this purpose, including increased focus on the corporate service centre.
- 3.2 Members discussed the approach that would be taken for the interview. The interview would be face-to-face, although Cllr Zuleta would be informed of the questions prior to the interview, and could table the responses. As some of the questions might fall under the responsibility of the Executive Member for Communications and Performance Improvement, Cllr James Gurling, members thought it appropriate that he should be invited to accompany Cllr Zuleta to the interview. This would be left at Cllr Zuleta's discretion.
- 3.3 Members were told to send questions to the scrutiny project manager by 1 November 2004, to be forwarded to Cllr Zuleta for her meeting preparation.

**4 WORK PROGRAMME [pages 12-18]**

- 4.1 Members discussed the work programme for the up-coming Regeneration and Resources Scrutiny Sub-Committee meetings.
- 4.2 The Chair also mentioned that he was planning to write to the Chair of Overview and Scrutiny Committee (OSC) to seek guidance on how the sub-committees would input to OSC on the timing and process for the 2005/06 budget.

**RESOLVED:**

1. That on the 18 November 2004, the first item would be the Executive Interview, followed by the item on budget, performance and priorities;
2. That the meeting on 15 December 2004 would include an item on the Policy & Resourcing Strategy 2005-08, at least for information;
3. That the small businesses item would be deferred to the February 2005 Regeneration and Resources meeting.

The meeting closed at 10:15pm.

**CHAIR:**

**DATE:**